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Consolidated Financial Results for the Fiscal Year Ended September 30, 2022 (under Japanese GAAP)

November 9, 2022

Name of the Listed Company: COLOPL, Inc. Listed Stock Exchanges: Tokyo Stock Exchange
Security code: 3668 URL: <https://colopl.co.jp/en/>
Representative: Takashi Miyamoto, President
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Scheduled date of ordinary general meeting of shareholders: December 23, 2022
Scheduled date to commence dividend payments: December 27, 2022
Scheduled date to submit securities report: December 26, 2022
Preparation of supplementary materials on financial results: Yes
Holding of financial results presentation meeting: Yes (for institutional investors and analysts)

(Figures of less than one million are rounded down.)

1. Consolidated financial results for the fiscal year ended September 30, 2022 (from October 1, 2020 to September 30, 2022)

(1) Consolidated operating results (Percentages indicate year-on-year changes.)

Fiscal year ended	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
September 30, 2022	32,541	(12.3)	4,310	(31.8)	5,732	(26.9)	2,414	(20.8)
September 30, 2021	37,125	(17.7)	6,320	(48.4)	7,843	(33.5)	3,047	(61.8)

Note: Comprehensive income Fiscal year ended September 30, 2022: 3,179 million yen (+1.0% year on year)
Fiscal year ended September 30, 2021: 3,148 million yen (-62.8% year on year)

Fiscal year ended	Basic earnings per share	Diluted earnings per share	Return on equity	Return on assets	Operating margin
	Yen	Yen	%	%	%
September 30, 2022	18.84	18.83	3.2	7.0	13.2
September 30, 2021	23.82	23.77	4.0	9.4	17.0

Reference: Share of profit (loss) of entities accounting for using equity method Fiscal year ended September 30, 2022: - million yen
Fiscal year ended September 30, 2021: - million yen

(2) Consolidated financial position

As of	Total assets	Net assets	Equity ratio	Net assets per share
	Million yen	Million yen	%	Yen
September 30, 2022	83,280	76,575	91.9	597.24
September 30, 2021	80,814	75,751	93.7	591.86

Reference: Shareholder's equity As of September 30, 2022: 76,569 million yen
As of September 30, 2021: 75,750 million yen

(3) Consolidated cash flows

Fiscal year ended	Cash flows from operating activities	Cash flows from investing activities	Cash flows from financing activities	Cash and cash equivalents at end of period
	Million yen	Million yen	Million yen	Million yen
September 30, 2022	3,637	(593)	(2,538)	50,914
September 30, 2021	(3,104)	(10,588)	(3,200)	49,052

2. Cash dividends

Fiscal year ended	Dividend per share					Total dividend payments (total)	Dividend payout ratio (consolidated)	Dividend on equity (consolidated)
	First quarter-end	Second quarter-end	Third quarter-end	Fiscal year-end	Annual			
September 30, 2021	Yen	Yen	Yen	Yen	Yen	Million yen	%	%
September 30, 2021	–	0.00	–	20.00	20.00	2,559	84.0	3.4
September 30, 2022	–	0.00	–	20.00	20.00	2,564	106.1	3.4
Fiscal year ending September 30, 2023 (forecast)	–	–	–	–	–		–	

(Note) Dividends for the fiscal year ending September 30, 2023 are not yet decided.

3. Consolidated financial forecasts for the fiscal year ending September 30, 2023 (from October 1, 2022 to September 30, 2023)

Given drastic short-term changes in the business environment surrounding the Group, the Company has difficulties in calculating the Group's earnings forecasts properly and reasonably, and therefore refrains from disclosing financial forecasts.

* Notes

(1) Changes in significant subsidiaries during the period(Changes in specified subsidiaries resulting in the change in scope of consolidation) Yes

Newly added: One company (COLOPL NEXT No. 8 Fund Investment Partnership)

(2) Changes in accounting policies, changes in accounting estimates and retrospective restatement

(i) Changes in accounting policies due to revisions to accounting standards and other regulations: Yes

(ii) Changes in accounting policies due to other than (i): None

(iii) Change in accounting estimates: None

(iv) Restatement: None

For details, please refer to "3. Consolidated Financial Statements and Major Notes (5) Notes to Consolidated Financial Statements (Changes in accounting policy)" on page 12 of the attached document.

(3) Number of shares issued (common shares)

(i) Total number of shares issued at the end of the period (including treasury shares)

As of September 30, 2022	129,984,023 shares	As of September 30, 2021	129,766,034 shares
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(ii) Number of treasury shares at the end of the period

As of September 30, 2022	1,778,544 shares	As of September 30, 2021	1,778,544 shares
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(iii) Average number of shares during the period

Fiscal year ended September 30, 2022	128,147,982 shares	Fiscal year ended September 30, 2021	127,948,756 shares
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Reference: Summary of non-consolidated results

1. Non-consolidated financial results for the fiscal year ended September 30, 2022 (from October 1, 2021 to September 30, 2022)

(1) Non-consolidated operating results

(Percentages indicate year-on-year changes.)

Fiscal year ended	Net sales		Operating profit		Ordinary profit		Net profit	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
September 30, 2022	23,775	(14.8)	3,859	(30.8)	4,505	(19.8)	1,591	33.1
September 30, 2021	27,900	(28.6)	5,578	(52.0)	5,616	(49.2)	1,196	(83.7)

Fiscal year ended	Basic earnings per share	Diluted earnings per share
	Yen	Yen
September 30, 2022	12.42	12.41
September 30, 2021	9.35	9.33

(2) Non-consolidated financial position

As of	Total assets	Net assets	Equity ratio	Net assets per share
	Million yen	Million yen	%	Yen
September 30, 2022	78,839	73,247	92.9	571.33
September 30, 2021	76,982	73,566	95.6	574.79

Reference: Equity

As of September 30, 2022: 73,247 million yen

As of September 30, 2021: 73,566 million yen

* Financial results reports are exempt from audit conducted by certified public accountants or an audit corporation.

* Proper use of earnings forecasts, and other special matters

Descriptions and statements concerning estimates and forecasts in this material are judgments and assumptions based on information currently available to the Company. Due to the uncertainties inherent in these judgments and assumptions, as well as changes in business management and internal or external conditions, actual results may differ substantially from predictions, and the Company does not guarantee the certainty of any details regarding these future predictions.

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1. Overview of Operating Results, etc.

(1) Summary of Operating Results for the Fiscal Year Ended September 30, 2022

With the Group's mission, "Entertainment in Real Life": Making everyday more enjoyable and wonderful through entertainment", the Group has been working to enrich people's everyday lives through entertainment. The Entertainment Business has been - has been focusing attention to enhance engagement with users in conjunction with existing games, and also focusing on releasing new games. The Investment and Development Business has been investing mainly in IT-related and entertainment companies in Japan and overseas.

As a result, consolidated results for the fiscal year under review were net sales of ¥32,541 million (-12.3% year on year), operating profit of ¥4,310 million (-31.8% year on year), ordinary profit of ¥5,732 million (-26.9% year on year), and profit attributable to owners of the parent of ¥2,414 million (-20.8% year on year).

In addition, the "Accounting Standard for Revenue Recognition" (ASBJ Statement No. 29, March 31, 2020) and other related standards have been applied from the beginning of the current fiscal year. For details, please refer to "3. Consolidated Financial Statements and Major Notes (5) Notes to Consolidated Financial Statements (Changes in accounting policy) (Application of accounting standard for revenue recognition)".

Operating results by business segment are as follows:

The classification of reporting segments was changed from the previous fiscal year, analyzing the results for the fiscal year under review based on the revised structure.

a. Entertainment Business

The Entertainment Business is responsible primarily for the development and operation of games for smartphones.

In games for smartphones that account for a major portion of sales, the DRAGON QUESTWALK, which is a third company IP title (planning and production: SQUARE ENIX CO., LTD., Development: COLOPL, Inc.), celebrated its 3rd anniversary and contributed to the Group's consolidated financial results. In original IP titles, the Group has been operating services to enhance engagement with users by featuring the 8th and 6th anniversaries of the Shironeko Project and Shironeko Tennis, two mainstay titles, since their releases.

As a result, consolidated net sales and operating profit for the fiscal year under review stood at ¥31,817 million and ¥4,661 million, respectively.

b. Investment and Development Business

The Group conducts the Investment and Development Business with a focus on investments in IT-related and entertainment companies in particular.

During the fiscal year under review, the Group received proceeds from the sale of operational investment securities in a fund in which it had invested. In addition, we recorded impairment losses on a portion of our operational investment securities holdings.

As a result, consolidated net sales and the operating loss for the fiscal year under review stood at ¥724 million and ¥353 million, respectively.

(2) Overview of Financial Position for the Fiscal Year under Review

(Assets)

Current assets at the end of the fiscal year under review increased ¥3,487 million from the end of the previous fiscal year, to ¥77,917 million. This was mainly due to an increase in cash and deposits and operational investment securities.

Non-current assets amounted to ¥5,363 million, a decline of ¥1,021 million from the end of the previous fiscal year. This was mainly due to decreases in deferred tax assets and investment securities, despite an increase in buildings and structures.

As a result, total assets increased ¥2,466 million from the end of the previous fiscal year, to ¥83,280 million.

(Liabilities)

Current liabilities at the end of the fiscal year under review totaled ¥5,694 million, up ¥772 million from the end of the previous fiscal year. This is largely due to a decrease in income taxes payable.

Non-current liabilities amounted to ¥1,011 million, up ¥870 million from the end of the previous fiscal year. This was mainly due to an increase in asset retirement obligations.

As a result, total liabilities increased ¥1,642 million from the end of the previous fiscal year, to ¥6,705 million.

(Net assets)

Net assets at the end of the fiscal year under review totaled ¥76,575 million, up ¥824 million from the end of the previous fiscal year. This was mainly due to an increase in valuation difference on available-for-sale securities.

(3) Overview of Cash Flows for the Fiscal Year under Review

The balance of cash and cash equivalents (hereinafter, “cash”) at the end of the fiscal year under review increased ¥1,861 million from the end of the previous fiscal year, to ¥50,914 million. The status of each of the cash flow segments and contributing factors for changes during the fiscal year under review are as follows.

(Cash flows from operating activities)

Net cash provided in operating activities during the fiscal year under review stood at ¥3,637 million (compared to the cash outflow of ¥3,104 million during the previous fiscal year). The main cash inflow was ¥5,732 million in profit before income taxes.

(Cash flows from investing activities)

Net cash used in investing activities during the fiscal year under review came to ¥593 million (compared to the cash outflow of ¥10,588 million during the previous fiscal year). The main cash outflow was 3,623 million yen for the purchase of investment securities.

(Cash flows from financing activities)

Net cash used in financing activities during the fiscal year under review was ¥2,538 million (compared to net cash used in financing activities of ¥3,200 million during the previous fiscal year). The cash outflow was mainly attributable to dividends paid of ¥2,557 million.

(Reference) Changes in cash flow-related indicators

	Fiscal year ended September 30, 2018	Fiscal year ended September 30, 2019	Fiscal year ended September 30, 2020	Fiscal year ended September 30, 2021	Fiscal year ended September 30, 2022
Shareholders' equity ratio (%)	91.4	92.9	88.3	93.7	91.9
Shareholders' equity ratio at market value (%)	121.3	304.2	133.7	127.5	104.7
Ratio of interest-bearing debt to operating cash flow (number of years)	—	—	—	—	—
Interest coverage ratio (times)	—	—	—	—	—

Shareholders' equity ratio (%): shareholders' equity / total assets

Shareholders' equity ratio at market value: total market capitalization / total assets

Ratio of interest-bearing debt to cash flows: interest-bearing debt / cash flows

Interest coverage ratio: cash flows / interest expenses paid

(Note) Market capitalization is calculated based on the number of shares outstanding, excluding treasury shares.

(4) Future Outlook

Looking ahead to the fiscal year ending September 30, 2023, the Group will continue to focus attention to enhance engagement with users in conjunction with existing games, and also achieving sustainable growth by providing new games on a yearly basis. It will also invest actively with a focus on IT-related and entertainment companies in particular.

Given -drastic short-term changes in the business environment surrounding the Group, the Company has difficulties in calculating the Group's earnings forecasts properly and reasonably, and therefore refrains from disclosing financial forecasts.

2. Basic Stance on the Selection of Accounting Standards

The Group is watching trends in the adoption of the Internal Financial Reporting Standards (IFRS) to make proper decisions on the timing of adoption, etc. No decision therefore has been made on the adoption of the Standards in the foreseeable future.

3. Consolidated Financial Statements and Major Notes

(1) Consolidated Balance Sheet

(Million yen)

	Previous fiscal year (September 30, 2021)	Fiscal year under review (September 30, 2022)
Assets		
Current assets		
Cash and deposits	58,871	60,330
Accounts receivable - trade	4,348	—
Accounts receivable - trade, and contract assets	—	4,910
Operational investment securities	7,591	10,334
Merchandise	37	106
Work in process	690	419
Supplies	4	5
Advance payments	276	431
Prepaid expenses	357	460
Other	2,286	939
Allowance for doubtful accounts	(34)	(21)
Total current assets	74,430	77,917
Non-current assets		
Property, plant and equipment		
Buildings and structures	1,101	2,095
Accumulated depreciation and impairment	(786)	(413)
Buildings and structures, net	315	1,681
Tools, furniture and fixtures	700	702
Accumulated depreciation and impairment	(572)	(547)
Tools, furniture and fixtures, net	128	154
Construction in progress	40	1
Total property, plant and equipment	484	1,837
Intangible assets		
Software	29	21
Total intangible assets	29	21
Investments and other assets		
Investment securities	2,344	1,473
Shares of subsidiaries and associates	3	3
Investments in capital of subsidiaries and associates	50	20
Leasehold and guarantee deposits	2,132	1,717
Deferred tax assets	1,253	133
Other	87	162
Allowance for doubtful accounts	—	(6)
Total investments and other assets	5,870	3,503
Total non-current assets	6,384	5,363
Total assets	80,814	83,280

(Million yen)

	Previous fiscal year (September 30, 2021)	Fiscal year under review (September 30, 2022)
Liabilities		
Current liabilities		
Accounts payable - trade	50	68
Accounts payable - other	2,412	2,239
Accrued expenses	244	602
Income taxes payable	292	1,923
Accrued consumption taxes	152	100
Advances received	850	452
Deposits received	415	231
Other	502	75
Total current liabilities	4,922	5,694
Non-current liabilities		
Asset retirement obligations	123	727
Deferred tax liabilities	—	259
Other	17	23
Total non-current liabilities	141	1,011
Total liabilities	5,063	6,705
Net assets		
Shareholders' equity		
Share capital	6,556	6,587
Capital surplus	6,296	6,328
Retained earnings	67,037	67,028
Treasury shares	(4,645)	(4,645)
Total shareholders' equity	75,245	75,299
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	461	1,083
Foreign currency translation adjustment	43	186
Total accumulated other comprehensive income	504	1,269
Non-controlling interests	1	6
Total net assets	75,751	76,575
Total liabilities and net assets	80,814	83,280

(2) Consolidated Statement of Income and Consolidated Statement of Comprehensive Income
(Consolidated Statements of Income)

(Million Yen)

	Previous fiscal year (October 1, 2020 to September 30, 2021)	Fiscal year under review (October 1, 2021 to September 30, 2022)
Net sales	37,125	32,541
Cost of sales	24,108	22,704
Gross profit	13,016	9,836
Selling, general and administrative expenses	6,695	5,526
Operating profit	6,320	4,310
Non-operating income		
Interest income	16	55
Interest on securities	2	—
Foreign exchange gains	246	1,204
Gain on sale of investment securities	995	428
Gain on investments in investment partnerships	12	—
Gain on investments in derivatives	—	37
Gain on sale of cryptocurrency	542	—
Miscellaneous income	130	133
Total non-operating income	1,947	1,860
Non-operating expenses		
Loss on valuation of investment securities	51	48
Loss on sale of investment securities	—	361
Loss on investments in investment partnerships	—	2
Loss on investments in derivatives	358	—
Miscellaneous losses	14	26
Total non-operating expenses	424	438
Ordinary profit	7,843	5,732
Extraordinary losses		
Impairment losses	291	—
Settlement payments	3,300	—
Total extraordinary losses	3,591	—
Profit before income taxes	4,251	5,732
Income taxes - current	944	2,232
Income taxes - deferred	258	1,085
Total income taxes	1,203	3,318
Profit	3,048	2,414
Profit (loss) attributable to non-controlling interests	0	(0)
Profit attributable to owners of parent	3,047	2,414

(Consolidated Statement of Comprehensive Income)

(Million Yen)

	Previous fiscal year (October 1, 2020 to September 30, 2021)	Fiscal year under review (October 1, 2021 to September 30, 2022)
Profit	3,048	2,414
Other comprehensive income		
Valuation difference on available-for-sale securities	56	622
Foreign currency translation adjustment	43	142
Total other comprehensive income	99	765
Comprehensive income	3,148	3,179
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	3,147	3,180
Comprehensive income attributable to non-controlling interests	0	(0)

(3) Consolidated Statement of Changes in Equity

Previous fiscal year (October 1, 2020 to September 30, 2021)

(Million Yen)

	Shareholders' equity				
	Share capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of period	6,536	6,295	67,185	(4,645)	75,373
Changes during period					
Issuance of new shares - exercise of share acquisition rights	6	6			12
Issuance of new shares - restricted Stock Compensation	13	13			27
Dividends of surplus			(3,195)		(3,195)
Purchase of treasury shares				(0)	(0)
Purchase of shares of consolidated subsidiaries		(18)			(18)
Profit attributable to owners of parent			3,047		3,047
Net changes in items other than shareholders' equity					
Total changes during period	19	0	(147)	(0)	(127)
Balance at end of period	6,556	6,296	67,037	(4,645)	75,245

	Accumulated other comprehensive income			Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Foreign currency translation adjustment	Total accumulated other comprehensive income		
Balance at beginning of period	404	—	404	1	75,779
Changes during period					
Issuance of new shares - exercise of share acquisition rights					12
Issuance of new shares - restricted Stock Compensation					27
Dividends of surplus					(3,195)
Purchase of treasury shares					(0)
Purchase of shares of consolidated subsidiaries					(18)
Profit attributable to owners of parent					3,047
Net changes in items other than shareholders' equity	56	43	99	(0)	99
Total changes during period	56	43	99	(0)	(28)
Balance at end of period	461	43	504	1	75,751

Fiscal year under review (October 1, 2021 to September 30, 2022)

(Million Yen)

	Shareholders' equity				
	Share capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of period	6,556	6,296	67,037	(4,645)	75,245
Cumulative effects of changes in accounting policies			135		135
Restated balance	6,556	6,296	67,173	(4,645)	75,381
Changes during period					
Issuance of new shares - exercise of share acquisition rights	6	6			13
Issuance of new shares - restricted Stock Compensation	24	24			49
Dividends of surplus			(2,559)		(2,559)
Profit attributable to owners of parent			2,414		2,414
Net changes in items other than shareholders' equity					
Total changes during period	31	31	(145)	—	(82)
Balance at end of period	6,587	6,328	67,028	(4,645)	75,299

	Accumulated other comprehensive income			Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Foreign currency translation adjustment	Total accumulated other comprehensive income		
Balance at beginning of period	461	43	504	1	75,751
Cumulative effects of changes in accounting policies					135
Restated balance	461	43	504	1	75,887
Changes during period					
Issuance of new shares - exercise of share acquisition rights					13
Issuance of new shares - restricted Stock Compensation					49
Dividends of surplus					(2,559)
Profit attributable to owners of parent					2,414
Net changes in items other than shareholders' equity	622	142	765	5	770
Total changes during period	622	142	765	5	688
Balance at end of period	1,083	186	1,269	6	76,575

(4) Consolidated Statements of Cash Flows

(Million Yen)

	Previous fiscal year (October 1, 2020 to September 30, 2021)	Fiscal year under review (October 1, 2021 to September 30, 2022)
Cash flows from operating activities		
Profit before income taxes	4,251	5,732
Depreciation	515	351
Increase (decrease) in allowance for doubtful accounts	(28)	(6)
Foreign exchange losses (gains)	(257)	(1,262)
Impairment losses	291	—
Decrease (increase) in investment securities for sale	(1,773)	(1,409)
Loss (gain) on sale of investment securities	(995)	(67)
Loss (gain) on valuation of investment securities	51	48
Loss (gain) on investments in derivatives	358	(37)
Loss (gain) on sale of cryptocurrency	(542)	—
Settlement payments	3,300	—
Decrease (increase) in trade receivables	2,629	(207)
Decrease (increase) in inventories	224	37
Increase (decrease) in trade payables	27	17
Increase (decrease) in accounts payable - other	(827)	(166)
Increase (decrease) in accrued consumption taxes	(1,384)	(52)
Increase (decrease) in income taxes payable - factor based tax	(168)	86
Increase (decrease) in advances received	335	(420)
Decrease (increase) in prepaid expenses	29	(54)
Other, net	(1,111)	673
Subtotal	4,927	3,261
Interest and dividends received	31	92
Settlement paid	(3,300)	—
Income taxes refund (paid)	(4,764)	283
Net cash provided by (used in) operating activities	(3,104)	3,637

(Million Yen)

	Previous fiscal year (October 1, 2020 to September 30, 2021)	Fiscal year under review (October 1, 2021 to September 30, 2022)
Cash flows from investing activities		
Payments into time deposits	(10,000)	—
Purchase of property, plant and equipment	(160)	(1,065)
Payments for asset retirement obligations	—	(428)
Purchase of intangible assets	(29)	(5)
Purchase of investment securities	(3,747)	(3,623)
Proceeds from sale of investment securities	3,647	4,047
Proceeds from sale of cryptocurrency	758	—
Collection of investment in capital of subsidiaries and affiliates	65	—
Payments of leasehold and guarantee deposits	(929)	(9)
Proceeds from refund of leasehold and guarantee deposits	285	423
Proceeds from (payments for) futures settlement	(338)	28
Other, net	(140)	39
Net cash provided by (used in) investing activities	(10,588)	(593)
Cash flows from financing activities		
Proceeds from issuance of shares	12	19
Dividends paid	(3,192)	(2,557)
Purchase of shares of subsidiaries and associates that do not result in change in scope of consolidation	(20)	—
Other, net	(0)	—
Net cash provided by (used in) financing activities	(3,200)	(2,538)
Effect of exchange rate change on cash and cash equivalents	294	1,355
Net increase (decrease) in cash and cash equivalents	(16,599)	1,861
Cash and cash equivalents at beginning of period	65,308	49,052
Increase in cash and cash equivalents due to proportional consolidation	344	—
Cash and cash equivalents at end of period	49,052	50,914

(5) Notes to Consolidated Financial Statements

(Notes on going concern assumptions)

Not applicable.

(Change in accounting policy)

(Application of accounting standard for revenue recognition)

The Company has applied the Accounting Standard for Revenue Recognition (ASBJ Statement No. 29, March 31, 2020; hereinafter the "Revenue Recognition Accounting Standard"), etc. since the beginning of the fiscal year under review and recognizes revenue from goods or services which the Group promised to provide at an amount expected to be received in exchange for the goods or services at the time when control over the promised goods or services is transferred to a customer. The principal changes resulting from the above are as follows.

(Revenue from user charges related to games for smartphones)

Previously, the Company had recognized revenues at the point where users consumed onerous currency and exchanged it for items used in games. The Company made a switch to the method of estimating the period for using items obtained through the consumption of onerous currency and recognizing revenues in accordance with their estimated period of use.

(Revenue from made-to-order software development on order based on contracts)

Previously, the Company had recognized revenues at the point of acceptance inspection. The Company made a switch to the method of recognizing revenues over a certain period.

The application of the Revenue Recognition Accounting Standard follows the provisional treatment stipulated in the proviso of Paragraph 84 of the Revenue Recognition Accounting Standard. The cumulative effects in case of retroactively applying the new accounting policy to before the beginning of the fiscal year under review are adjusted in retained earnings at the beginning of the fiscal year under review, and the new accounting policy is applied from this initial balance. As a result, consolidated net sales increased ¥69 million, and consolidated operating profit decreased ¥11 million in the fiscal year under review. The balance of retained earnings at the beginning of the fiscal year under review increased ¥135 million.

The impact on per share information is stated in the relevant section.

With the application of the Revenue Recognition Accounting Standard, the Company included accounts receivable - trade, which had been stated under current assets in the consolidated balance sheet for the previous fiscal year, in accounts receivable trade and contract assets from the fiscal year under review. Pursuant to the transitional provisions in Paragraph 89-2 of the Revenue Recognition Accounting Standard, the Company did not reclassify balance sheet amounts for the previous fiscal year according to a new presentation. Moreover, in accordance with the transitional treatment stipulated in Paragraph 89-3 of the Revenue Recognition Accounting Standard, information that decomposes revenue from contracts with customers for the previous fiscal year is not stated.

(Application of accounting standard for fair value measurement, etc.)

The Company has applied the Accounting Standard for Fair Value Measurement (ASBJ Statement No. 30, July 4, 2019; hereinafter the "Fair Value Measurement Accounting Standard"), etc. since the beginning of the fiscal year under review. It was decided that the new accounting policies prescribed in the Fair Value Measurement Accounting Standard, etc. continued to be adopted in accordance with the transitional treatment provided for in Paragraph 19 of the Fair Value Measurement Accounting Standard and Paragraph 44-2 of the Accounting Standard for Financial Instruments (ASBJ Statement No. 10, July 4, 2019).

The Company had previously adopted acquisition values as balance sheet values for investments and the like in financial instruments other than shares, such as the convertible bonds with share acquisition rights and share acquisition rights of unlisted investment targets. With the application of the new accounting policies, the Company switched to the method of adopting market values as balance sheet values from the beginning of the fiscal year under review. In addition, the Company adopted accounting in the method of directly posting emerged valuation differences to net assets.

These changes had no material effect on consolidated financial statements.

(Segment information, etc.)

[Segment information]

1. Summary of reporting segments

The Group's reportable segments are the Company's constituent units for which separate financial information is available and periodic reviews are performed by the Board of Directors to determine the allocation of management resources and evaluate financial results.

The Company, which consists of business-based segments, treats two business, namely the Entertainment Business and the Investment and Development Business, as reportable businesses. The Entertainment Business is responsible primarily for the development and operation of games for smartphones. The Investment and Development Business is conducted with a focus on investment in IT-related and entertainment companies in particular.

2. Method used to calculate sales, income (loss), assets, liabilities, and other items by reportable segment

The accounting method of the reported business segments complies with the accounting policy adopted for preparing consolidated financial statements.

The profit of each reportable segment is presented on an operating profit basis.

Intersegment transactions and transfers are based on prevailing market prices.

As described in (Changes in Accounting Policy), the Company has applied the Accounting Standard for Revenue Recognition and other accounting standards from the beginning of the current fiscal year, and has changed its accounting method for revenue recognition, and has therefore similarly changed its method for measuring profit or loss in its business segments.

3. Information regarding sales, income (loss), assets, liabilities, and other items of each reportable segment

Segment assets are not stated because they were not subject to periodic review for the purpose of determining the allocation of management resources and evaluating business performance in the previous fiscal year. However, they are stated from the fiscal year under review. The amounts for the previous fiscal year are presented as comparative information.

Previous fiscal year (October 1, 2020 to September 30, 2021)

(Million Yen)

	Reportable Segment			Adjustment (Note 1)	Amount recorded in Consolidated Financial Statements (Note 2)
	Entertainment Business	Investment and Development Business	Total		
Net sales					
Sales to external customers	36,953	171	37,125	—	37,125
Intersegment sales or transfers	—	—	—	—	—
Total	36,953	171	37,125	—	37,125
Segment profit (loss)	6,447	(129)	6,318	2	6,320
Segment assets	69,029	11,785	80,814	—	80,814
Other items					
Depreciation	515	—	515	—	515
Increase in property, plant and equipment and intangible assets	150	—	150	—	150

(Notes) 1. An adjustment in the segment profit (loss) area represents the deduction of intersegment transactions.

2. Segment profit (loss) has been adjusted to be consistent with the operating profit reported in the consolidated statements of income.

3. Segment assets in the Investment and Development Business consist mainly of operational investment securities of ¥7,591 million and other funds for investment.

4. Segment liabilities have not been included because they are not subject to periodic reviews performed to decide the allocation of management resources and evaluated financial results.

Fiscal year under review (October 1, 2021 to September 30, 2022)

(Million Yen)

	Reportable Segment			Adjustment (Note 1)	Amount recorded in Consolidated Financial Statements (Note 2)
	Entertainment Business	Investment and Development Business	Total		
Net sales					
Sales to external customers	31,817	724	32,541	–	32,541
Intersegment sales or transfers	–	–	–	–	–
Total	31,817	724	32,541	–	32,541
Segment profit (loss)	4,661	(353)	4,307	2	4,310
Segment assets	68,718	14,562	83,280	–	83,280
Other items					
Depreciation	351	–	351	–	351
Increase in property, plant and equipment and intangible assets	1,201	–	1,201	–	1,201

- (Notes)
1. An adjustment in the segment profit (loss) area represents the deduction of intersegment transactions.
 2. Segment profit (loss) has been adjusted to be consistent with the operating profit reported in the consolidated statements of income.
 3. Segment assets in the Investment and Development Business consist mainly of operational investment securities of ¥10,334 million and other funds for investment.
 4. Segment liabilities have not been included because they are not subject to periodic reviews performed to decide the allocation of management resources and evaluated financial results.

(Per share information)

	Previous fiscal year (October 1, 2020 to September 30, 2021)	Fiscal year under review (October 1, 2021 to September 30, 2022)
Net assets per share	¥591.86	¥597.24
Earnings per share	¥23.82	¥18.84
Earnings per share fully diluted	¥23.77	¥18.83

(Notes) 1. As stated in (Changes in Accounting Policy), the Company has adopted the Accounting Standard for Revenue Recognition (ASBJ Statement No. 29, March 31, 2020), etc., and followed the transitional treatment stipulated in the proviso of Paragraph 84 of the Accounting Standard for Revenue Recognition. As a result, net assets per share increased by ¥1.00 and net income per share decreased by ¥0.07 for the current fiscal year.

2. The basis for calculating net assets per share is as follows:

	Previous fiscal year (September 30, 2021)	Fiscal year under review (September 30, 2021)
Total net assets (million yen)	75,751	76,575
Amount deducted from the total net assets (million yen)	1	6
(Non-controlling interests included (million yen))	1	6
Net assets related to common shares at end of period (million yen)	75,750	76,569
Number of common shares at the end of the fiscal year used for the calculation of net assets per share (shares)	127,987,490	128,205,479

3. The basis for calculating basic earnings per share and earnings per share fully diluted is as follows.

	Previous fiscal year (October 1, 2020 to September 30, 2021)	Fiscal year under review (October 1, 2021 to September 30, 2022)
Basic earnings per share		
Profit attributable to owners of parent (million yen)	3,047	2,414
Amount not attributable to common shareholders (million yen)	–	–
Profit attributable to owners of parent pertaining to common shares (million yen)	3,047	2,414
Average number of shares during the period (shares)	127,948,756	128,147,982
Diluted earnings per share		
Adjustments to profit attributable to owners of parent (million yen)	–	–
Increase in the number of common shares (shares)	296,571	111,599
[Share acquisition rights included in the above (shares)]	[296,571]	[111,599]
Overview of potentially dilutive shares not included in the calculation of earning per share fully diluted due to the absence of dilutive effects	–	–

(Significant subsequent events)

Not applicable.